

VZCZCXYZ0001  
RR RUEHWEB

DE RUEHAS #1475/01 2831432  
ZNR UUUUU ZZH  
R 101432Z OCT 07  
FM AMEMBASSY ALGIERS  
TO RUEHC/SECSTATE WASHDC 4641  
INFO RUEHFR/AMEMBASSY PARIS 2367  
RUEHLO/AMEMBASSY LONDON 1733  
RUEHRB/AMEMBASSY RABAT 1968  
RUEHTU/AMEMBASSY TUNIS 6820  
RUCPDO/DEPT OF COMMERCE WASHDC

UNCLAS ALGIERS 001475

SIPDIS

SIPDIS

DEPARTMENT FOR EEB/TPP/ABT (G. CLEMENTS)  
COMMERCE FOR ITA/OTEXA (M. D'ANDREA)  
STATE PLEASE PASS USTR (C. MILLER)

E.O. 12958: N/A  
TAGS: [ECON](#) [ETRD](#) [KTEX](#) [AG](#)

SUBJECT: ALGERIA WRITES OFF TEXTILE INDUSTRY

REF: A. 06 ALGIERS 01112  
[1](#)B. SECSTATE 114799

[1](#)1. SUMMARY: An estimated 95 percent of apparel in Algeria is imported and the remaining few home-grown firms in this sector are nearing extinction in the face of cheaper imports, both legitimate and counterfeit. As Algerians' cost of living rises faster than wages, consumers have flocked to inexpensive imported apparel to the detriment of domestic producers, who have witnessed the closure of 70 percent of privately held textile firms in recent years. Niche markets, such as carpets and reasonably priced quality apparel that appeal to Algerian aesthetics, have been able to escape the wave of cheap imports, but the Algerian government appears to have all but given up on preserving its textile sector as it presses on with its economic reform program. END SUMMARY.

#### OFFICIAL STATISTICS

-----

[1](#)2. Over 95 percent of Algeria's textile consumption is imported, according the Algerian Office of National Statistics (ONS). ONS estimates that the textile sector accounts for 4.42 percent of Algeria's non-hydrocarbon industrial production. Algeria's industrial sector employs 1.26 million workers, including roughly 55,000 workers in textile-related industries. Algeria's apparel imports reached USD 321 million in the first half of 2007, while 2006 imports were USD 924 million. Concrete numbers regarding the origin of imports are difficult to obtain given the informal nature of much of this trade, but the ONS estimates that about 40 percent of the imports come from China, 40 percent from Syria, and 20 percent from Turkey. With the exception of some rugs and handicrafts sold in Algeria's niche tourism sector, the country effectively has no textile exports.

#### CHINESE TEXTILES ABOUND

-----

[1](#)3. Since 2000, Algeria has witnessed a flood of inexpensive, low-quality Chinese textiles that local consumers have been unable to resist given a rising cost of living that continues to outpace wage and job growth (Ref A). At the sprawling Premier Mai market in central Algiers, Chinese-made T-shirts cost as little as 200 dinars (about \$3) and sneakers go for 700 (\$10.50). In a market known as the Dubai Bazaar, hundreds of stalls sell Chinese-made textiles at a fraction of what consumers once paid for locally produced items. While official price statistics are not available, embassy FSN staff noted that on average prices have dropped 20 to 40 percent since the influx of imported goods began. The greatest price drops have been seen in men's clothing, particularly blue jeans.

## POST-SOCIALIST INDUSTRIAL DECLINE

---

¶4. Under Algeria's post-independence socialist experiment, the country supported limited textile production until the first wave of economic reforms in the late 1980s and early 1990s rendered Algerian production obsolete. Algeria produced some "downstream" textile items by importing raw materials and assembling clothes for the local market. Such local production, under the aegis of state-run companies Districh and Ecotext, accounted for approximately 60 percent of the Algerian apparel market through the 1980s. Beginning in the late 1980s and early 1990s, the combination of economic liberalization and a new wave of predominantly Taiwanese imports drastically cut the share of textile products finished within Algeria and, to a greater extent, the role of Algerian state-run industries. Local Algerian production now stands at just 5 percent of the market. Of this paltry domestic production, the public sector share in the market dropped from 64 percent in 1999 to 16 percent in 2001, according to the Office of National Statistics. Public sector textile manufacturing accounts for less than 10 percent of the local market today.

### SOME NICHES SURVIVE

---

¶5. The few "downstream" clothing manufacturers that have endured have done so by appealing to Algerian demands for style and quality at a price more reasonable than European imports. Reda Hamiani, the leader of a major business association and the owner of the Algerian clothing brand "Redman," has carved a popular niche in the Algerian market. Redman clothing appeals to the Algerian aesthetic but is higher quality than Chinese products and more affordable than French or Italian imports. So too have Algeria's carpet makers, who hail mostly from southern cities such as Ghardaia and Msila, been able to survive by selling their wares to predominantly European tourists.

### COMMENT: INDUSTRIAL STRATEGY ABANDONS TEXTILES

---

¶6. Privatization and Industry Minister Abdelhamid Temmar released in July 2006 an industrial strategy program that notably neglected to mention textile production, in effect relegating the sector to the dustbin of Algerian development policy along with import-substitution, state-run electronics manufacturing and five-year development plans. For the roughly 3500 domestic textile outlets that have closed in the last decade, the government has developed no program for retraining their workers. While the effects of this strategy may be muted because of the small scale of Algeria's textile sector, this lack of long-term planning does not bode well for future disruptions that will likely be unleashed during the privatization of other more labor intensive sectors.

FORD